

PUBLIC DISCLOSURE

SEPTEMBER 13, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

DUNKIN' DONUTS EMPLOYEES CREDIT UNION

14 PACELLA PARK DRIVE
RANDOLPH, MA 02368

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of DUNKIN' DONUTS EMPLOYEES CREDIT UNION prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The credit union's composite rating of "Satisfactory" is based upon three performance criteria. The credit union is adequately returning deposits to its membership in the form of loans. This is indicated by an average loan-to-share ratio of 70.0 percent for the period December 31, 1997 through June 30, 1999. This ratio has remained fairly consistent and is considered to be satisfactory. A review of a sample of the credit union's consumer loan portfolio revealed that the distribution of loans to members of different income levels, particularly to those of low and moderate-income levels, is also deemed satisfactory. No CRA-related complaints have been received since the previous examination and the fair lending examination revealed no evidence of discriminatory or illegal credit practices.

PERFORMANCE CONTEXT

Description of Institution

Dunkin' Donuts Employees Credit Union is a state chartered credit union, founded in 1951 as the Ilnec Credit Union. On August 25, 1970, the name of the credit union was changed to the Dunkin' Donuts Employees Credit Union. The credit union's by-laws state that membership in the credit union is limited to Dunkin' Donuts employees paid via the payroll system at the corporate headquarters in Randolph. The credit union's office is located on the second floor of Dunkin' Donuts corporate headquarters at 14 Pacella Park Drive, Randolph. Other corporate offices are located in North Brunswick, New Jersey; Chicago, Illinois; and Glendale and Campbell, California. The credit union has no employees. An employee of the Dunkin' Donuts corporation serves as Treasurer of the credit union and is available during regular work hours for withdrawals (by check only) or for loan applications. The credit union has no other employees.

The credit union offers personal loans (secured and unsecured), automobile loans, and yearly holiday loans offered in November. As of June 30, 1999, Dunkin' Donuts Employees Credit Union had total assets of \$2,404,182, of which 53.8 percent were in the form of loans. Of these loans, 29.2 percent comprised unsecured loans, and 70.8 percent comprised automobile loans.

The credit union was last examined by the Division of Banks for compliance with the Community Reinvestment Act on September 30, 1997 and received a satisfactory rating.

Description of Assessment Area

According to the CRA regulation (209 CMR 46.41(8)), a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. Dunkin' Donuts Employees Credit Union defines its assessment area in this manner. The credit union has applied to the Massachusetts Division of Banks for approval to amend its by-laws in order to expand its membership to employees of Baskin Robbins, Inc., and Togo's Eateries, Inc. All three entities are owned by the same parent company Allied Domecq Retailing USA, and the employees are paid from the payroll department in Randolph, Massachusetts.

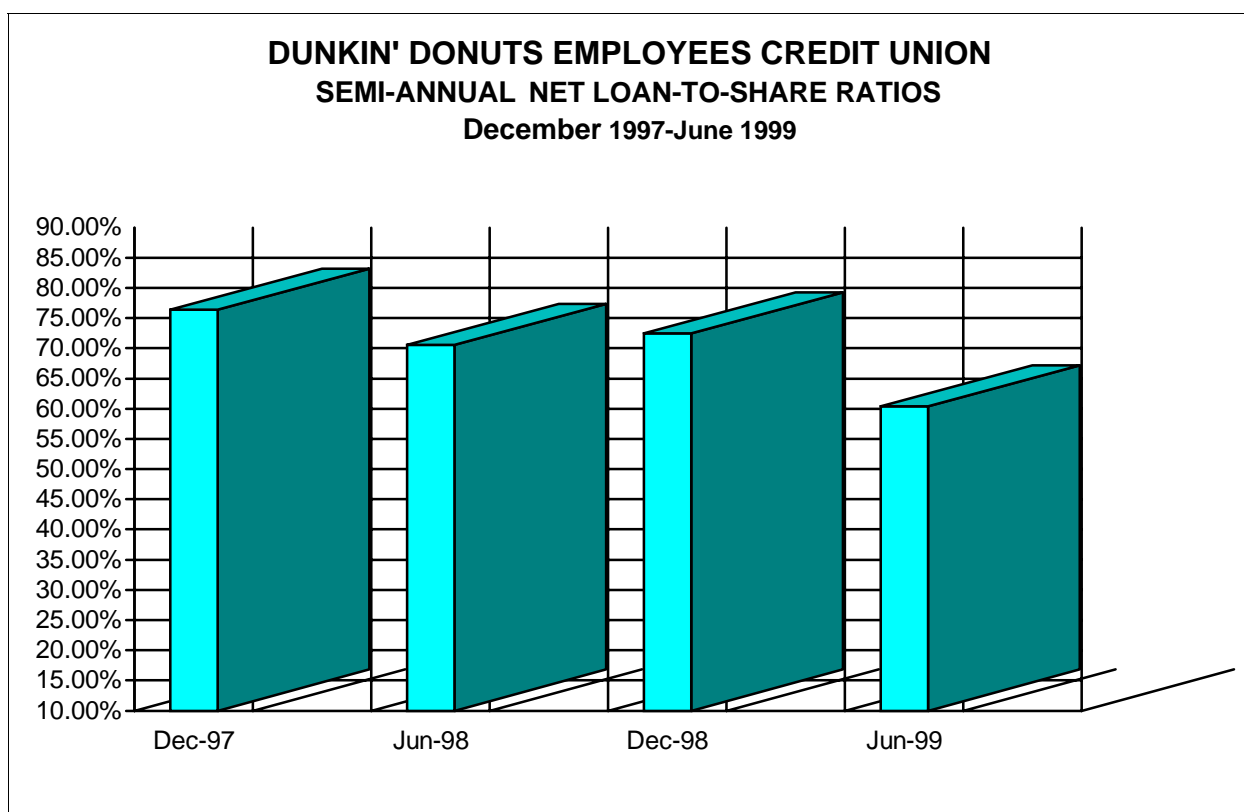
The corporation employs 1,077 individuals across the country. The credit union has 493 individuals as members. Of this total 325 (65.9%) reside in Massachusetts.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

An analysis of Dunkin' Donuts Employees Credit Union's net loan to share ratio was performed during the examination. The calculation incorporated four semi-annual N.C.U.A. 5300 Call Reports of the credit union's net loan to total share figures. This review included the reports from December 31, 1997 through June 30, 1999.

The credit union's average loan to share ratio for the period under review was determined to be 70.0 percent. The analysis revealed that during the period the ratios have fluctuated from a high of 76.4% on December 31, 1997 to a low of 60.4% on June 30, 1999.



Further analysis indicates that over the period reflected in the above graph, the credit union's net loans decreased by 15.6 percent, while total deposits grew by 6.7 percent. Also, the period of June 1998 through June 1999 shows a 12.6% decline in net loans and a 2.3% increase in deposits. According to management, the decline in loans is due to loans being paid off earlier than scheduled especially the holiday loans.

Based on the above information, the credit union's capacity to lend to its members and the lending opportunities available to its members, the credit union's loan to share ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Under the CRA regulation, a credit union whose membership is not based on residence, such as Dunkin' Donuts Employees Credit union, may define its assessment area as its membership. Because a membership defined assessment area does not consider any fixed limits based upon geography, an analysis involving credit extended inside a particular defined geographic area compared to credit extended outside of a particular geographic area is not meaningful.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of a sample of consumer loans (unsecured and automobile) extended within the credit union's membership, among various income levels for 1998 and year-to-date August 31, 1999 was conducted. Since the credit union serves a membership, which encompasses the entire nation, only a sample of loans from applicants in Massachusetts was used. Also, for the purpose of simplification, the median family income of the Boston Metropolitan Statistical Area (MSA) for 1998 (\$60,000) and 1999 (\$62,7000) was considered since the majority of members residing in Massachusetts reside in the Boston MSA.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

The analysis of a sample of 51 approved loans was reviewed. This review indicated that 13.7 percent (by number) of the loans were made to low-income borrowers, and 68.6 percent (by number) were granted to moderate-income borrowers.

Refer to the following tables for further information.

CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER

% of MEDIAN FAMILY INCOME	1998		Y-T-D 1999		TOTAL	
	#	%	#	%	#	%
< 50%	2	8.3	5	18.5	7	13.7
50 – 79%	18	75.0	17	63.0	35	68.6
80 – 119%	1	4.2	4	14.8	5	9.8
120% >	3	12.5	1	3.7	4	7.9
TOTAL	24	100.0	27	100.0	51	100.0

Source: Information contained in the Credit Union's loan files

Y-T-D: August 31, 1999

CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER

% of MEDIAN FAMILY INCOME	1998		Y-T-D 1999		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%
< 50%	26	10.7	35	15.3	61	13.0
50 – 79%	182	75.2	162	70.7	344	73.0
80 – 119%	3	1.3	24	10.5	27	5.7
120% >	31	12.8	8	3.5	39	8.3
TOTAL	242	100.0	229	100.0	471	100.0

Source: Information contained in the Credit Union's loan files

Y-T-D: August 31, 1999

Based on the information provided, the credit union has shown a willingness to lend to members of all income levels. Therefore Dunkin' Donuts Employees Credit Union is deemed to meet the standard for satisfactory performance under this criterion.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

Again, since the assessment area selected by the credit union is dependent upon the membership of the credit union, as opposed to a defined geographic area, no analysis of the geographic distribution of loans was undertaken.

5. REVIEW OF COMPLAINTS/FAIR LENDING

There were no CRA-related complaints received since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

Overall fair lending compliance is limited, but considered adequate in light of the unusual manner in which the credit union operates.

STAFF TRAINING

Currently, no staff training is provided. An employee of the corporation, who in addition to her regular duties serves as the Treasurer for the credit union, is available during regular business hours for withdrawals and loan applications.

STAFF COMPOSITION AND COMPENSATION

As stated above, the credit union is operated by only one employee of the corporation. This employee is not compensated for loans originated.

OUTREACH

The credit union considers its day-to-day contact with its members as its primary outreach efforts. The credit union has historically offered unsecured loans and secured automobile loans. All new employees are made aware of the availability of the credit union's services and products during orientation.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The credit union offers only unsecured loans and secured auto loans. Because interest rates vary, they are furnished at the time of a loan request.

MARKETING

As with outreach, the credit union uses orientation of new employees as its primary marketing strategy. In addition, the credit union uses statement stuffers.

CREDIT EDUCATION

The credit union does not participate in any credit education programs.

COUNSELLING

The credit union has not experienced any delinquency since all payments are payroll deducted.

SECOND REVIEW PRACTICES

The credit union uses its credit committee as a review process for loans.

INTERNAL CONTROL PROCEDURES

Due to the limited staffing, the credit union uses the credit committee as its primary internal control procedure.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

DUNKIN' DONUTS EMPLOYEES CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **SEPTEMBER 13, 1999** has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.